

VZCZCXRO1071
RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHVI #3588/01 3551057
ZNR UUUUU ZZH
R 211057Z DEC 06
FM AMEMBASSY VIENNA
TO RUEHC/SECSTATE WASHDC 5822
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 VIENNA 003588

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [EINV](#) [ETRD](#) [ETTC](#) [AU](#)

SUBJECT: AUSTRIA'S STEYR COMPANIES: WHO OWNS WHAT AND WHO DOES WHAT

Summary

¶1. There are several independent Austrian companies with the name "Steyr." All of them originally formed one company, Steyr-Daimler-Puch (SDP). However, in the 1980s, SDP, one of Austria's largest industrial conglomerates, encountered major financial problems that resulted in the company's break-up into various Austrian and foreign controlled entities. The "Steyr companies" are now independent firms producing a wide range of industrial goods. The most notable SDP successors are Steyr Mannlicher (SM), which sells hunting and military rifles; Steyr Spezialfahrzeuge (SSF), which produces busses, tanks, and armored vehicles; and Magna Steyr Fahrzeugtechnik (MSF), which assembles automobiles for BMW, Chrysler, Mercedes, and Saab. SM and SSF have occasionally been the subject of negative press criticism for controversial arms sales to the Middle East and military sales to African states. End Summary.

The Origins of Steyr: Steyr-Daimler-Puch (SDP)

¶2. Steyr's origin dates back to 1864, when the company began manufacturing rifles in Steyr, Austria. In the 1920s, the firm merged with Austro-Daimler-Puch, a bicycle and car manufacturer, to form Steyr-Daimler-Puch (SDP). SDP developed into a formidable international company, producing rifles, ball bearings, bicycles, motorcycles, cars, busses, trucks, tractors, agricultural machinery, tanks and military vehicles. Following World War II, SDP added tanks, armored vehicles (Saurer, Kuerassier, Pandur, ASCOD-Ulan) and utility vehicles (Haflinger, Pinzgauer) to its product line. In 1980, SDP was Austria's third largest industrial conglomerate with over 17,000 employees. A major financial crisis in the late 1980s led to reorganizations, outsourcing of productions to new companies, sales of some productions and closings of others.

Steyr Mannlicher (SM)

¶3. In 1987, SDP established Steyr Mannlicher (SM) as a 100% subsidiary concentrating on rifle production. Following a series of ownership changes in the 1990s, Austrian Cura Investholding, under the direction of Wolfgang Fuehrlinger, obtained SM. In April 2004, SM entered a joint venture with Malaysia's National Aerospace and Defense Industries to produce SM's AUG A3 military assault rifles for the Malaysian Army. SM consists of three companies: Steyr Mannlicher Austria; Steyr Arms Inc. in Cumming, Georgia; and Steyr Mannlicher SDN in Kuala Lumpur. All three operate as independent companies, with Fuehrlinger as CEO. SM has world-wide exports, with primary markets in Western Europe, Australia, the U.S., Malaysia and Saudi Arabia. In 2005, SM Austria had 100 employees and total sales of Euro 11.3 million.

¶4. SM has frequently appeared in the Austrian press under negative headlines. In April 2003, Austrian press reported that U.S. soldiers found SM rifles in the arms arsenal of Saddam Hussein's son

Udai in Baghdad. Following the delivery of approximately 800 long-range, high precision sniper rifles (model Steyr HS.50 with a range of 1,500 meters and a 12.7 x 99 millimeter caliber) to Iran in 2004, the USG imposed nonproliferation sanctions against SM in December 2005.

Steyr Spezialfahrzeuge (SSF)

15. In 1987, SDP outsourced production of busses, tanks and armored vehicles to its Steyr Spezialfahrzeuge (SSF) subsidiary. In 1999, a consortium including SSF CEO Hans Michael Malzacher and General Dynamics (25% share) purchased SSF from Canada's Magna International, which had held a 66% share in SSF since 1998. General Dynamics assumed a 100% stake in SSF in 2003. In 2005, SSF had 350 employees and annual sales of Euro 170 million. Since 2005, SSF has signed several major export contracts, including orders from the Portuguese Army (Euro 365 million) and the Czech Defense Ministry (Euro 821 million for 200 Pandur armored vehicles

16. SSF has also been the target of negative media coverage regarding certain sales of military equipment. In 2001, SSF delivered military vehicles to an elite unit of Zimbabwean President Robert Mugabe, as well as tanks to Botswana, which allegedly financed the deal with funds earmarked for development assistance. In 2002, SSF purchased the insolvent Steyr Nigeria, originally an SDP agricultural equipment subsidiary, from the Nigerian Government.

Magna Steyr Fahrzeugtechnik (MSF)

VIENNA 00003588 002 OF 002

17. Since the sale of its bicycle and motorcycle production to Italy's Piaggio in 1987, Steyr Fahrzeugtechnik (SFT) has concentrated on the development and production of all-terrain vehicles for civil and military uses. In 1990, SFT and Chrysler started "Eurostar," a 50/50 joint venture to assemble Chrysler Voyager minivans and Jeep Cherokees in Austria. In 1998, Canadian car components manufacturer Magna International obtained a majority share in SFT through its Austrian subsidiary, Magna Steyr. Chrysler subsequently exercised an option in 1999 to buy out Magna's shares in Eurostar to obtain 100% ownership. In 2002, Chrysler sold its 100% share in Eurostar, which assembles for BMW, Chrysler, Mercedes and Saab, back to Magna Steyr. Magna Steyr then reorganized SFT and Eurostar under the name, Magna Steyr Fahrzeugtechnik (MSF). MSF is the largest automobile company in Austria, with total sales of Euro 3.9 billion in 2005 and 7,500 employees.

ZF Steyr

18. In 1999, the German ZF Group, a supplier of automotive axles and off-road technology, took over Steyr Antriebstechnik, a producer of agricultural gears. The company produces in Austria under the name ZF Steyr with 360 employees and annual sales of Euro 110 million.

MCCAW